

Afghanistan and Iraq

Rebuilding for a New Era

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Commerce Secretary Donald Evans created the Afghanistan Reconstruction Task Force and the Iraq Reconstruction Task Force in February 2002 and March 2003, respectively. The objective of these task forces is to tackle challenges and identify opportunities for U.S. companies working in these post-conflict areas. The task forces draw on expertise from various units within the International Trade Administration to promote exports, develop business prospects, and engage in U.S. government trade policy. Each task force has a Web site that acts as

a comprehensive resource for commercial developments in both countries. Visit www.export.gov/afghanistan and www.export.gov/iraq for information on current events, tenders, business opportunities, and links to many more resources within the U.S. government and the multilateral institutional community. Commercial guides are available to assist companies as they pursue potential opportunities. Contact information also is available for business counseling from task force trade specialists.

Secretary Evans visited Baghdad and Kabul during the week of October 13, 2003. He personally assessed the progress of reconstruction in both

countries and uncovered the potential for greater U.S. private sector involvement in these rapidly changing markets. Both countries show remarkable progress in establishing institutions and creating environments conducive to modern commerce. Secretary Evans discovered that contrary to daily media reports, business conditions are improving and authorities in both countries are taking the appropriate steps to compete in the global business arena. Congress recently authorized a bill worth \$87.5 billion in additional assistance that will promote economic stability in both Iraq and Afghanistan. President Bush signed that bill on November 6, 2003.

AFGHANISTAN: MOVING RIGHT ALONG

INCREASED COMMERCIAL INTEGRATION

The Afghan government has taken several important steps to attract foreign trade and investment, most notably the Law on Domestic and Foreign Private Investment in Afghanistan, signed by President Hamid Karzai in September 2002. The law created a High Commission on Investment to oversee the business and investment license approval process. Investment incentives provide for 100-percent foreign ownership of

enterprises, and include tax holidays and repatriation of profits abroad. The Afghan Ministry of Commerce is currently updating the law, but the text can be reviewed at www.export.gov/afghanistan/commercial/index.html. The Afghan Commerce Ministry also opened a new Afghanistan Investment Support Agency in September 2003 to serve as a central location for potential investors seeking information and paperwork for opening facilities and pursuing investment opportunities.

The United States has approved measures to enhance economic development in Afghanistan through increased bilateral trade and economic assistance programs:

- U.S. assistance: The U.S. has earmarked \$1.2 billion to humanitarian, security, and reconstruction assistance since September 2001.
- U.S.-Afghan trade: Normal trade relations were reestablished in June 2002, paving the way for Afghan



Photo courtesy of the U.S. Embassy, Kabul.

Secretary Evans meets first and second graders at Kabul's Zarghona School for girls. More than 1 million Afghan girls are now enrolled in schools, a total number greater than at any other time in Afghanistan's history.

products to receive non-discriminatory treatment in the U.S. market. A presidential proclamation in January 2003 extended duty-free treatment to thousands of eligible products from Afghanistan.

- Road building: The Kabul-Kandahar road project will be completed by the end of 2003.
- Economic governance: USAID economic governance programs target reforms in the banking sector, commercial laws, and budgeting procedures.

THE SECRETARY'S MISSION

During his visit, Secretary Evans paid special attention to U.S.-Afghan commercial policies that have fostered better economic integration between the two countries. His meetings with U.S. and Afghan companies in Kabul focused on private sector contributions to Afghanistan's economic development. The private sector has an obligation to work with Afghanistan's authorities in order for the government to approve economic policies that promote business while protecting

investors' rights. Secretary Evans challenged the companies to uphold good business practices and to work in unison, with other private sector players as well as government authorities, toward achieving profitable objectives.

Secretary Evans congratulated Afghanistan's Commerce Minister Sayed Mustafa Kazemi for his leadership in promoting economic development through diversification and integration. The secretary noted that the Afghan High Commission on Investment had approved more than 8,000 business and investment licenses since September 2002, and said that the Investment Support Agency would streamline approvals and set the stage for more investment in the country. The secretary also made special note of the ministry's emphasis on women's entrepreneurship, including the newly created special office to promote women's economic development and inclusion in Afghanistan's overall progress. The secretary visited a girls' school to highlight the access that Afghan

women have to education and their inclusion in all sectors of society.

INTERNATIONAL ARENA

The rest of the international community continues to contribute assistance to Afghanistan. The World Bank, Asian Development Bank, and the International Monetary Fund are targeting assistance to capacity and institutional building for the government, key economic sectors, and the financial system. The United Nations Assistance Mission in Afghanistan and United Nations Development Program are coordinating activities for several U.N. agencies to build Afghan administrative capacity and strengthen institutions of good governance, law and order, and security. More than 40 countries, with European Union, Japan, Germany, and the United Kingdom as leading contributors after the United States, have also contributed significantly to rebuilding Afghanistan.

Afghanistan has also worked to expand trade opportunities with its neighbors. The World Bank and the

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Asian Development Bank both sponsored ministerial conferences in 2003 to address regional trade and transit impediments between Afghanistan and primary regional players. The Economic Cooperation Organization, an economic development alliance of Central Asian countries, agreed to trade liberalization mechanisms to increase cross-border trade between Afghanistan and the six nations that border it. In addition, Pakistan and Iran have negotiated transit trade agreements that will allow Afghanistan to use their ports.

DEPARTMENT OF COMMERCE GUIDANCE

The Afghanistan Reconstruction Task Force provides business counseling and services to assist U.S. companies in the Afghan market. The Commerce Department and the U.S. Trade and Development Agency co-sponsored the Afghanistan: Rebuilding a Nation conference in June 2003 to highlight 35 rebuilding projects and present specifications for U.S. companies willing and able to bid on these projects. Senior Afghan government officials gave detailed project presentations. The task force continues to monitor progress in these and other sectors.

The task force represents business needs and interests as the U.S. government defines its economic policies for Afghanistan. The Commerce Department strongly supported the resumption of normal trade relations and extension of Generalized System of Preferences (GSP) duty-free benefits to Afghan goods. The Commerce Department and the U.S. Trade

Representative's office hosted a government working group with the Afghan Ministry of Commerce to discuss various commercial policies and issues that affect trade and investment between the two countries.

Several U.S. companies, large and small, have found a niche in the nascent Afghan market. American companies are opening offices in Kabul, successfully winning government projects, and filling Afghanistan's shops with American-made consumer products. American technology can be found in local Internet cafes, at construction sites, and on the streets. George Russell, vice president for strategic marketing for CaseNewHolland Construction Equipment, notes: "CNH sees great opportunities in the reconstruction of Afghanistan as evidenced by our senior management's active participation in the Commerce Department's Afghanistan reconstruction conference held in Chicago last June. Through our office in Kabul, CNH is exploring the option of working with a local partner to expand sales of its equipment in the country. More than 500 kilometers of roads will be built and a broad range of other infrastructure and agricultural development projects will be undertaken in the near future. With the help of the department's Afghanistan Reconstruction Task Force, we hope to assist in these worthy endeavors."

The U.S. embassy in Kabul works closely with the Afghanistan Reconstruction Task Force to help facilitate private sector activities in Afghanistan. The *Afghanistan Country Commercial Overview* is updated periodically with current information

on the commercial environment and general "how-to" business principles. The document is a comprehensive overview of Afghanistan's business environment and provides contact information for U.S., international, and Afghan organizations available to assist companies in Afghanistan. In addition, the U.S. embassy has created a business primer that offers a concise approach to setting up a business venture in the country. For more on reconstruction projects, the Afghan business environment, the commercial guide, the business primer, and other information, visit www.export.gov/afghanistan or call the task force at (202) 482-1812. Trade specialists are available to advise companies on international tenders, project bids, or general market and business information.

Afghanistan is on a long path toward integration into the international economy. The country's application for membership in the World Trade Organization will be the catalyst for ensuring the government promotes and enforces laws to protect business interests and opens Afghanistan's markets to international trade. ■

RECONSTRUCTING IRAQ

FULL SPEED AHEAD



Photo courtesy of AP/Anja Niedringhaus.

Paul Bremer, left, U.S. civilian administrator in Iraq, listens to Don Evans, U.S. secretary of commerce, as they tour the central distribution hub for Iraq's new currency at Baghdad Airport.

"Tell 'em to come here like I did," exclaimed U.S. Secretary of Commerce Don Evans on his October trip to Baghdad, Iraq. Secretary Evans' two days in Iraq left him impressed with the free-market spirit of the Iraqis, as well as the number of foreign companies eager to set up operations even in the face of continuing security risks. Secretary Evans met with faculty and students at the business school of the University of Baghdad. He also met with as well as businesswomen, young entrepreneurs, and business leaders. "I went to Iraq expecting to find a frightening environment, a feeling of desperation. I found anything but that."

But the situation was much different before March 2003. During the more than three decades of Baath Party rule, Saddam Hussein ran a centrally

controlled economy with most large businesses owned or operated by the state. The government also managed the import of most goods. There was only a small and limited private sector in Iraq that faced a bureaucratic maze controlled by Saddam's cronies. All of this has now changed.

Since the end of hostilities, considerable progress has been made on the ground:

- A governing council of Iraq has been created, and interim Iraqi ministers have been appointed.
- The banking system throughout the country is starting to reopen, and Iraq has a new and convertible currency, the dinar.
- Power and oil production as well as water supplies are steadily increasing and have surpassed prewar levels.

- Domestic and foreign company registration procedures are being streamlined.
- Schools have reopened.

IRAQ RECONSTRUCTION TASK FORCE

To address U.S. business interest in Iraq, Secretary Evans established the Iraq Reconstruction Task Force to help U.S. companies by serving as a clearinghouse of information on how to participate in the economic rebuilding of Iraq. "The resources of the Iraq Reconstruction Task Force will provide a one-stop shop for U.S. companies looking for information and counseling on Iraq reconstruction efforts," said Secretary Evans. "Businesses that are accustomed to an environment of opportunity and fairness can be our best ambassadors for democracy and

U.S. BUSINESS CASE STUDY

Rick Kelley, of Industry & Energy Associates out of South Portland, Maine, has worked extensively in international business, and has effectively used the Iraq Reconstruction Task Force: "The task force has responded to every one of my questions whether face-to-face, via telephone, or e-mail. They've provided a seamless operation with their civilian and military colleagues in Amman and Baghdad to provide essential information to my company. We're currently developing a partnership with an Iraqi company to position ourselves to submit solid bids for current and upcoming contracts from the Coalition Provisional Authority or their prime contractors, and for a long-term presence in Iraq. We plan to visit Baghdad after consolidating our security arrangements in Amman to consolidate our company's business prospects in Iraq." And Mr. Kelley will not be alone in Baghdad, Kirkuk, or Mosul, where several foreign business delegations have already undertaken business development missions.

freedom." The task force maintains a Web site, www.export.gov/iraq, with regularly updated sections including "Doing Business in Iraq" and "Frequently Asked Questions," as well as a hotline, (866) 352-IRAQ or (866) 352-4727, as a part of this effort.

BREAKING ECONOMIC NEWS

In September 2003, the Iraqi Governing Council announced sweeping economic reforms. Foreign investment has been liberalized so that all foreigners now have similar standing as Iraqi investors, and the right to own businesses and repatriate 100 percent of shares and profits. Starting January 1, 2004, Iraq will have a flat tax system under which individual and corporate incomes tax rates will not exceed 15 percent (instead of the present 45 percent), and Iraq's new import tariff or "reconstruction

levy" will be 5 percent. On the banking side, six of the 17 private sector banks will be available for 100-percent foreign ownership, applications for two banks will be expedited to provide financing for small Iraqi businesses, and the remaining banks will be available for 50-percent joint venture partnerships.

REENGAGEMENT OF THE INTERNATIONAL COMMUNITY

In Madrid on October 23–24, the international community gathered for the International Donors' Conference on Reconstruction in Iraq. Representatives from 73 countries and 20 organizations met to pledge their support for the political, economic, and social revitalization of Iraq. Attendees reviewed the assessments prepared by the World Bank and the United Nations in 14 critical areas: transportation and tele-

communications; education; agriculture, water resources, and food security; the financial sector; the investment climate; employment, livelihoods, and reintegration; health; mines; housing; and electricity.

Never before had such a donors' conference resulted in pledges totaling so much combined pledges of financing for 2004 and beyond totaled more than \$33 billion. Concurrent with the conference, there was a private sector forum that attracted great interest from more than 332 companies from 46 countries, an important signal as private investment and trade will influence growth in the Iraqi economy in the long run.

U.S. GOVERNMENT SUPPORT CONTINUES

On November 6, 2003, President George W. Bush signed into law an \$87-billion spending bill for Iraq and Afghanistan. Approximately \$18.6 billion is devoted to Iraq reconstruction and covers a wide range of critical areas, including national security, infrastructure development, and civil and human rights institution building. For example, the cost breakdown includes approximately \$5.7 billion for electrical systems, \$2.1 billion for oil infrastructure, \$3.7 billion for potable water, sewer systems, and related public works, and \$3.7 billion for water resources, transportation and telecommunications, housing and construction, health, and private sector development. The spending bill also

IRAQI BUSINESS CASE STUDY

Iraqi companies, newly exposed to the international business community, have just as many questions as U.S. companies. Shatha Al-Zuhairi, CEO of Al-Yaqut Company in Baghdad, explains fully the Iraqi company situation: "The United States has the best corporate philosophy and the most dynamic corporations in the world . . . there is nothing better for an Iraqi company than to be associated with an American corporation. But Iraqi companies are weak right now—we lack access to finance, managerial expertise, technology, and training. This is what we want and need from business partnerships." Any U.S. company interested in a partnership with an Iraqi company should understand these potential drawbacks, as well as the strengths that Iraqi companies bring to the table in terms of a local understanding of the business environment, a skilled and educated workforce, and tremendous goodwill in rebuilding their country.



includes a separate USAID request for proposals on capital construction worth approximately \$1.5 billion.

With these new developments, should your company consider Iraq as a market?

WHAT TO DO IF CONSIDERING IRAQ AS A MARKET

- Do your homework by reviewing www.export.gov/iraq, especially "Doing Business in Iraq" and "Frequently Asked Questions."
- Learn as much about local customs as possible, and develop a security strategy for your personnel and the facilities or services you are engaged in.
- Assess your risk tolerance—Iraq is a risky, but developing long-term market. Develop a solid game plan and resources at headquarters and regionally to implement it.
- Network with colleagues at domestic and international conferences on Iraq, including Outreach 2004, on January 11–13, 2004, in Amman, Jordan. It is the first U.S. Commerce Department-certified and American-organized trade show designed to facilitate U.S. company involvement in the entire Middle East region, with a particular focus on Iraq. ■

For further information, contact the Iraq Reconstruction Task Force at (866) 352-IRAQ, or iraqinfo@mail.doc.gov.

WEB SITES

U.S. Department of Commerce
www.export.gov/iraq
www.export.gov/afghanistan

U.S. Agency for International Development
www.usaid.gov/afghanistan
www.usaid.gov/iraq

The World Bank
www.worldbank.org/af
www.worldbank.org/iq

United Nations Development Program
<http://mirror.undp.org/afghanistan>
www.iq.undp.org

Afghanistan
The Development Gateway
www.developmentgateway.org/node/134111

(project database and resource guide to Afghanistan)

United Nations Assistance Mission
www.unama-afg.org

State Department: Donor Assistance
www.state.gov/p/sa/rls/c8130.htm

Iraq
Coalition Provisional Authority
www.cpa-iraq.org

Iraqi Business Center
www.iraqibusinesscenter.org

Kirkuk Business Center
www.kirkuk-business-center.org